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Czech Republic

Organic Products

Market Brief

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Report Highlights:

The market potential for U.S. organic products is strong as the Czech organic market is growing 25 to 30% a year. However, Czechs still base most purchases on price. This price sensitivity may change after EU accession in May 2004 when purchasing power is expected to increase. U.S. products with good potential include lentils, vegetables, nuts, products from organic soybeans, and snack food ingredients (e.g. cranberries).

Includes PSD Changes: No
Includes Trade Matrix: No
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Organic Production and Distribution

In 2003 there were over 800 certified organic farms in the Czech Republic. Approximately 240,000 ha (5.5% of total agricultural land) are farmed organically. A 15 to 20% increase in organic acreage is predicted for the next five years. 90% of the organic land forms sustainable grass areas, 8% arable land, 0.5% vineyards and orchards, and 1.5% other type.

Czech goals for organic agriculture are focused on increasing area to 8% of total agricultural land by 2006 and 10% by 2010, higher subsidies for production on arable land, increased quality of processing, and marketing and export support. Between 2004 and 2006 organic agriculture should receive \$37 mil (1 bill CZK), out of which 80% would be from the EU budget and 20% from Czech budget.

Currently there are 92 registered organic producers and 164 distributors. Last year over 1,100 products were registered as organic, another 300 items were imported. The fastest growing products include grains, vegetables, milk and eggs.

Around 60% of organic products are sold in supermarkets and hypermarkets that have special sections for bio-products and over 35% is sold in special stores for nutrition products. Consumers buying these products usually have a higher education and higher income.

The major player on the organic market is a company called "Country Life" which carries over 400 bio-products. Country Life is the biggest importer of organic products, has two stores in Prague, a restaurant, and a farm for its own production.

Organic products have to be labeled "Bio-product" according to Act 242/2000 on ecological (organic) agriculture. Use of this label is controlled by independent organization Control of ecological agriculture (KEZ), which lists certified producers. Distributors and traders sell organic products with the label "Bio-product". Some companies use their own private labels, e.g. "Pro-bio", "Country Life" etc.

PRO-BIO is a national non-governmental organization associating ecological farmers, processors and traders as well as consumers, schools and providers of other services, who focus on ecological agriculture and the use of its products. PRO-BIO has 500 members, of which 400 are agricultural enterprises cultivating 115,000 hectares of farmland. PRO-BIO is a member of the international organization IFOAM and a partner of "Bioland", the German association of ecological farmers.

Policy

As of January 2001, Act 242/2000 regulates organic production, labeling, requirements for import and export, and the control system.

The organic agriculture boom is the result of increased government subsidies in recent years. Between 1993 and 1997 there were no subsidies for organic agriculture, the Ministry of Agriculture focused on different priorities. Between 1998 and 2002 subsidies for organic agriculture as regulated by government Directive 505/2001 rose from \$1.8 mil (48 mil CZK) to \$8 mil (210 mil CZK). Subsidies are paid based on area; most support goes to vegetable production.

The Ministry is preparing two documents related to organic farming. After the EU accession in May 2004, the Czech Republic will be able to draw money from the EU for organic production according to Horizontal Plan for Rural Development (HPRD) prepared by the Ministry of Agriculture in line with Council Regulation 1257/99. The full text of this document is available in Czech on the Ministry webpage: www.mze.cz

The second document prepared by the Ministry is an Action Plan for Organic Agriculture in the Czech Republic. This document is the result of an EU agricultural ministers council meeting in June 2001, and it deals with processing, marketing, promotion, information for consumers, and research. The plan is prepared by many organizations including professional associations and agricultural universities.

Import Regulations

In February 2000 an equivalency agreement between the Czech Republic and the EU was established. According to Commission Regulation 2589/2001, Czech Republic appeared on the list of third countries allowed to export to the EU. All Czech organic products are treated equally in the EU according to Council Regulation 2092/91.

Commission Regulation 1788/2001 from September 2001 set conditions for import certificates from third countries based on Article 11 of Council Regulation 2092/91 on organic products.

Trade

Import

According to Act 242/2000 on organic agriculture, there are two basic conditions for certification of an imported product as organic. The first requires documentation of origin from a control organization in a country on the list of equivalent treatment. The second requires only registered producers, importers and distributors of organic products to request certification of imported products as organic.

Among imported organic products are fruits, vegetables, beverages, snacks, fruit jams, vegetable spreads, fats and oils, coffee, and meat products.

Export

In 2002 over 420 export licenses were issued and 3,600 MT were exported, out of which 60% went to Germany, 28% to Austria, 6% to Holland and the rest to other European countries.

Exported commodities include corn, peas, rye, carrots, spelt wheat, herbs and spices, dried apples, apples, pears, flax, pumpkins, onion, mustard, spelt coffee, pasta, spelt flour, oats, etc.

U.S. Market Perspectives

Until the United States and EU establish an equivalency agreement for organics, only U.S. farmers with IFOAM certificate are allowed to export to the Czech Republic. U.S. products with a good potential on the Czech market include lentils, vegetables, nuts, products from organic soybeans, ingredient for snack foods (e.g. cranberries). Price of these products, however, may still be too high for the Czech market.

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